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Testimony to House Committee on Families, Children and Seniors

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Introduction

Chairman Kurtz and members of the House Committee, my name is Terri Stangl and I am the Executive Director of the Center for Civil Justice (CCJ), a non-profit organization with offices in Flint and Saginaw. We provide a variety of outreach and advocacy services in a 14-county region of mid-Michigan and the Thumb. We regularly meet with and work closely with many non-profit human services providers, including faith-based and community-based organizations.

I am testifying today in opposition to Section 10c of House Bill 5033 which enacts a \$5,000 asset limit. We do not oppose proposed Section 57V which would count lottery winnings as income or as a countable asset. We also note that the Department has already imposed this asset limit starting October 1st. Legislation is not necessary to codify this limit. We urge the committee to delete section 10c from this bill and monitor the impact of the change before codifying it in state law, especially in light of the risks to Michigan and low-income households

Michigan Cannot Afford to Pay for HB 5033

(1) Michigan Cannot Afford the Administrative Cost of Administering Asset Limits

By seeking to impose asset limits and to require caseworkers and clients to verify the value of their assets, Michigan is taking on a set of time-consuming duties for overworked caseworkers. Caseworkers must review documentation submitted by clients and federal SNAP law requires caseworkers to assist any applicant or recipient who requests help in obtaining documentation of (say) the value of a car, vacant land, capitol equipment from a defunct small business, and so forth. Michigan's policy at BAM 130, which is derived from federal SNAP regulations tells workers, "The client must obtain required verification, but you must assist if they need and request help." Workers with hundreds of cases simply do not have the time to chase down the records that state policy says are necessary to determine car and property value within the time frames required for timely case processing.

Food Assistance benefits are paid 100% by federal funds, while administrative costs are paid 50% by state funds. At a time when Michigan is trying to save our general fund dollars, we can ill-afford the cost of unnecessary administrative procedures. With this legislation, Michigan would be bucking a national trend to reduce the administrative burden of verifying assets. As of July 2010, 35 states, including Michigan, had eliminated all asset limits as a costly and burdensome and error-prone policy that created a barrier to help for many eligible households. States recognized that the number of people who are determined actually over-asset are such a small percentage of the overall caseload that it was not worth the time, expense, and potential risk of penalties.

(2) Michigan Cannot Afford to Pay Penalties Which Are Likely to Flow from Asset Errors

The General Accounting Office of Congress noted in July 2010 that those states that have eliminated asset limits are less likely to spend more on administration and have error rates that are associated with detailed verification policies.¹ <http://www.gao.gov/new.items/d10956t.pdf>

Workers are more likely to make a mistake in determining FAP eligibility when deciding the value of an asset than when assets are not considered at all. Asset limits hurt Michigan taxpayers because USDA imposes penalties on states if their error rates are higher than the average. When USDA assesses performance penalties, States are basically graded on a curve. A state that has more errors than other states, even if its overall error rate is low, will have to pay millions of dollars in penalties. Michigan paid these kinds of penalties in the past when it verified assets. In recent years, since we stopped verifying assets, our error rate has decreased and we have incurred fewer penalties. Michigan cannot afford to both give up federal SNAP dollars that fill families' grocery bags and flow into the state economy through FAP Bridge Card spending, and to increase the likelihood of paying penalties out of its own scarce funds.

(3) Michigan Families, Grocers, and Farmers Cannot Afford to Lose A Critical Source of Federal Assistance to Needy Families

The Michigan economy is struggling and thousands of families are unable to make ends meet. Emergency food sites cannot meet the demand. We as taxpayers have already paid our taxes toward the federal SNAP program. The question now is whether Michigan gets its fair share of these federal resources for the families who are struggling. Michigan taxpayers should not

¹ The GAO report says USDA officials found that states like Michigan, who had eliminated asset requirements through an available policy option "reduced administrative burdens and increased access to SNAP benefits to households who would not otherwise be eligible for the program due to SNAP income or asset limits. Adoption of this policy option can provide needed assistance to low-income families, simplify state policies, reduce the amount of time states must devote to verifying assets, and reduce the potential for errors." Page 16 of the report.

have to pay the cost of extra caseworkers and error rate penalties when those costs are not required and when such penalties put the state at a disadvantage compared to other states.

(4) The Proposed Asset Limits Hits the Newly Unemployed and Seniors Hardest

In our experience, most people who have countable assets in excess of \$5000 are those who are recently unemployed (and therefore still have modest savings or non-cash assets) or senior citizens who were deterred from applying for FAP by the asset verification policies in the past. These are people who are using their countable assets to hold on to things like a homestead they acquired in better times and which they are trying not to lose while looking for a new job, or to pay off debts. It is de-stabilizing to communities to force people to liquidate all their assets during a period of short term unemployment.

I urge this committee to amend the bill to delete section 10C and to work with the Department of Human Services to evaluate whether an asset test for the Food Assistance Program is, on balance, the right choice for Michigan.

